



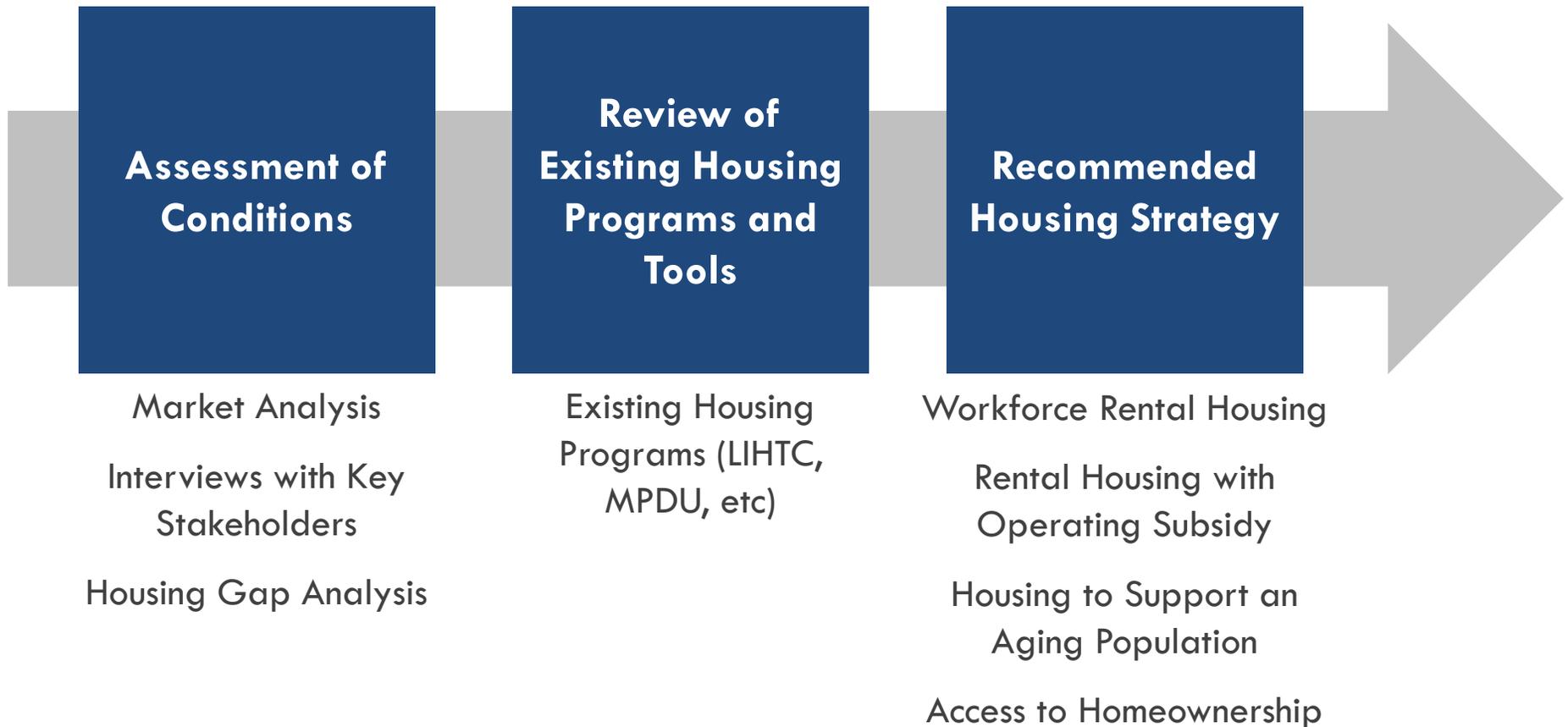
HR&A
Analyze. Advise. Act.

Frederick County Affordable Affordable Housing Market Study

Frederick County, MD
December 19th, 2016

Frederick County requested an affordable housing market study and additional analysis that included three components.

Affordable Housing Market Study and Analysis



Housing Gap Analysis

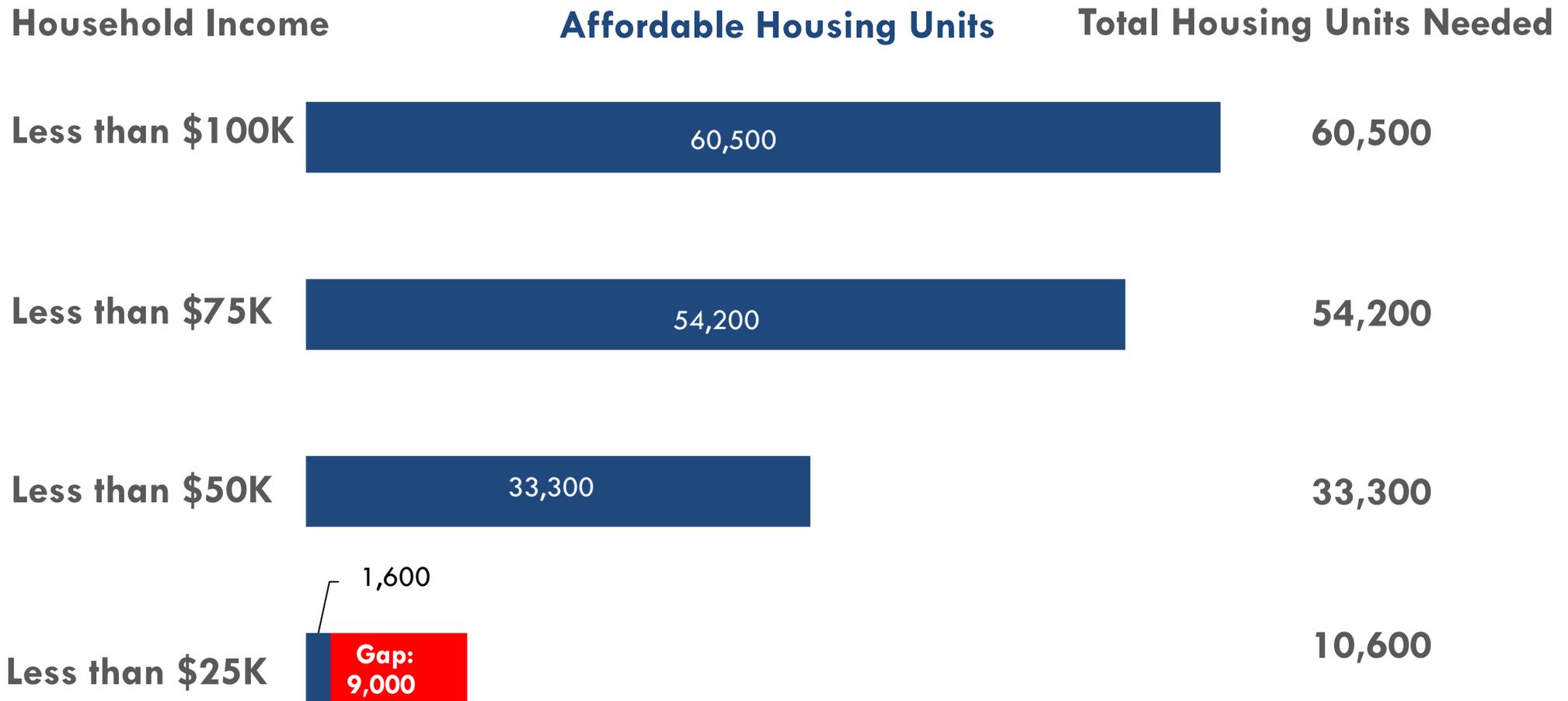
Areas of Need

Policy Recommendations

Moderately Priced Dwelling Unit Program

In 2000, only households earning less than \$25K faced a gap in the number of affordable homes.

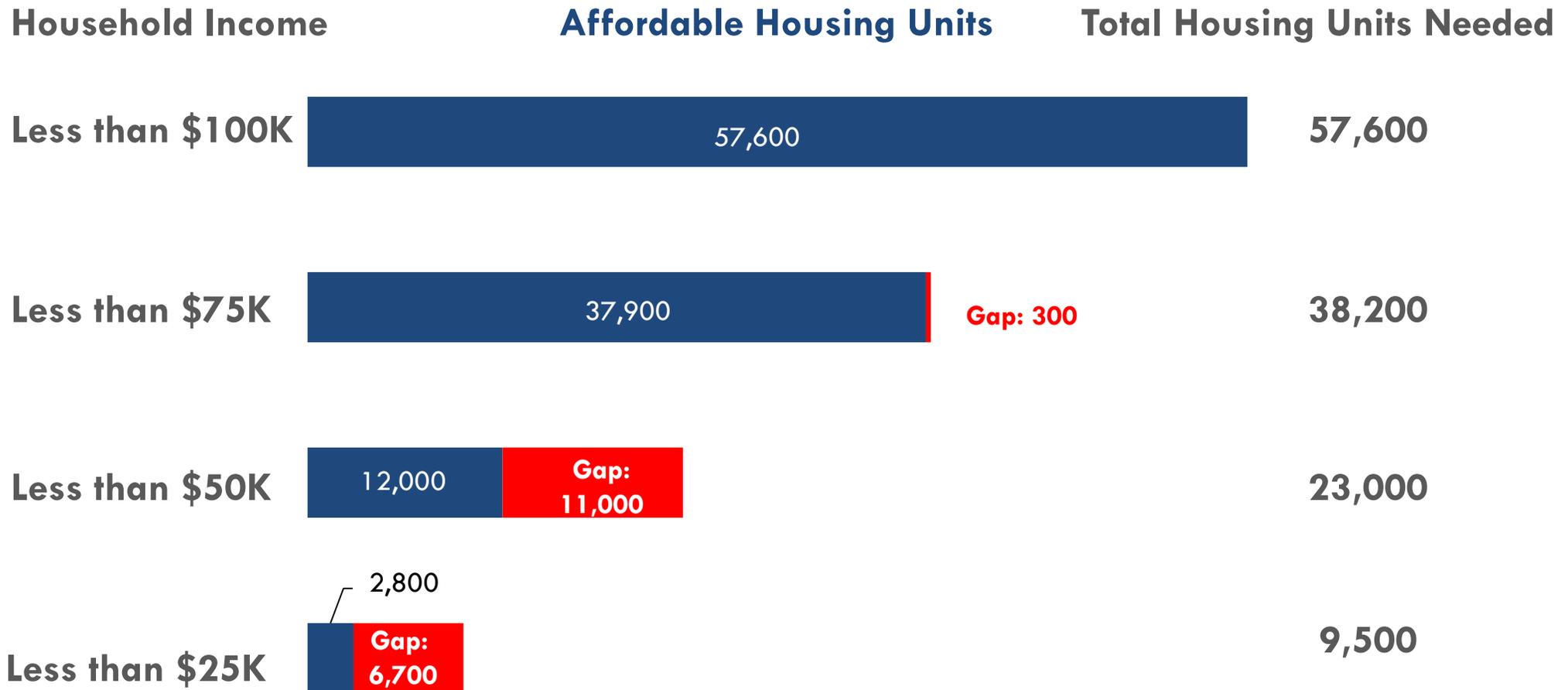
Housing Gap (2000)



Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts portions of the gap.

By 2014, the housing gap had expanded to include households earning up to \$50K.

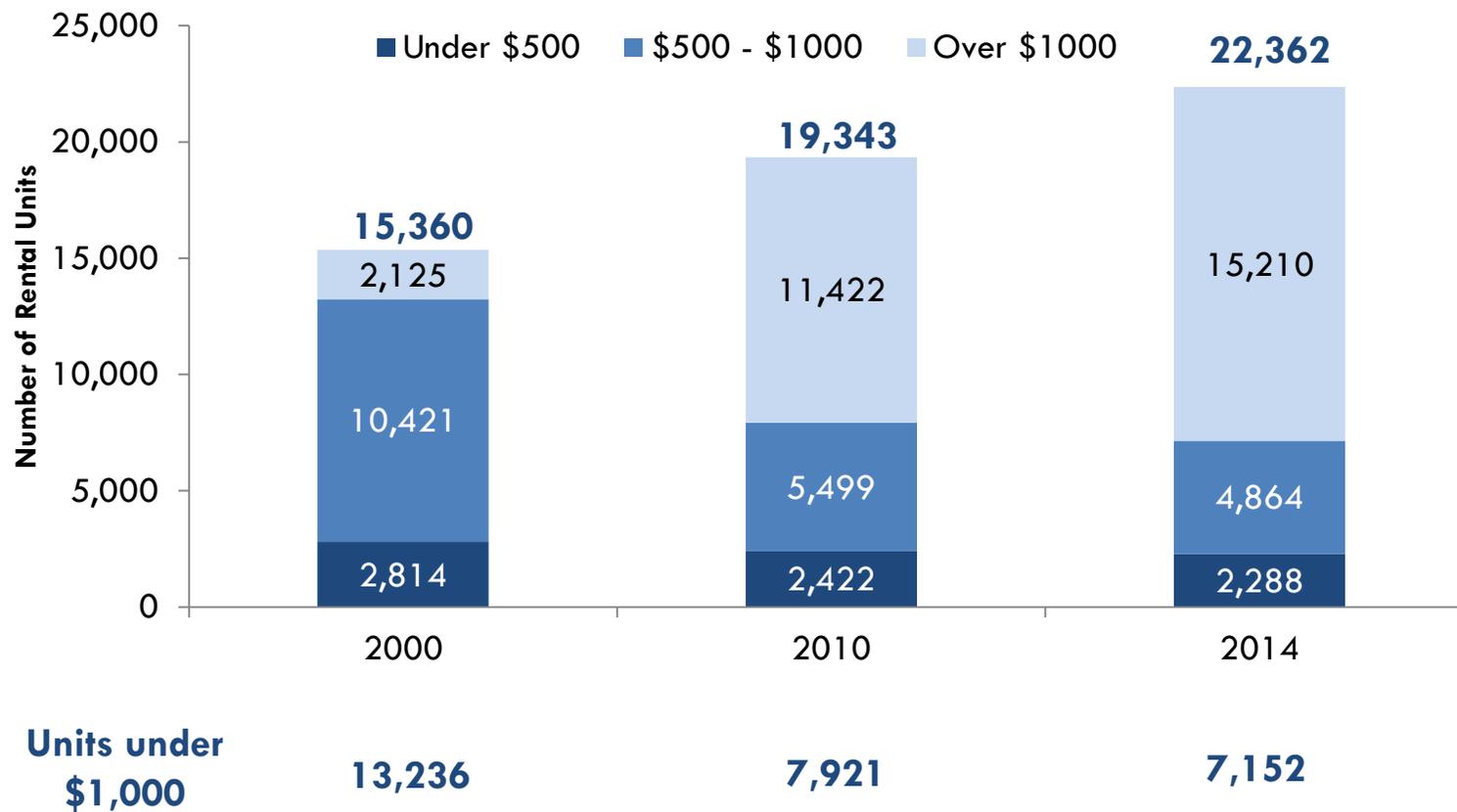
Housing Gap (2014)



Note: The housing gap is calculated independently for each income level and as a result the gaps cannot be summed as that double counts portions of the gap.

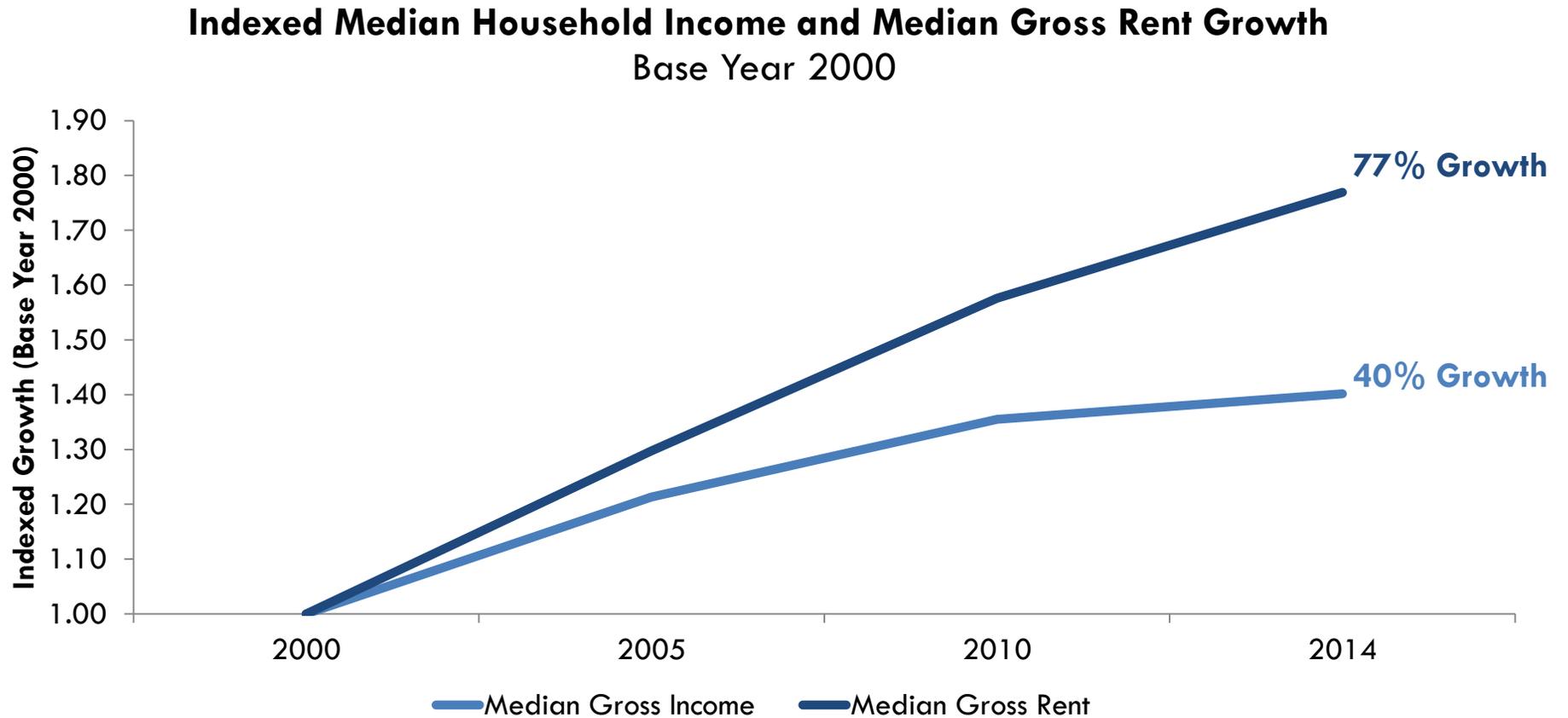
The decrease in naturally affordable rental housing in Frederick County has contributed to the growth of the housing gap.

**Number of Rental Units by Monthly Rent, Frederick County
2000-2014**



Source: ACS, Census

Rents have risen faster than incomes in Frederick County over the past 15 years.



Source: ACS, Census

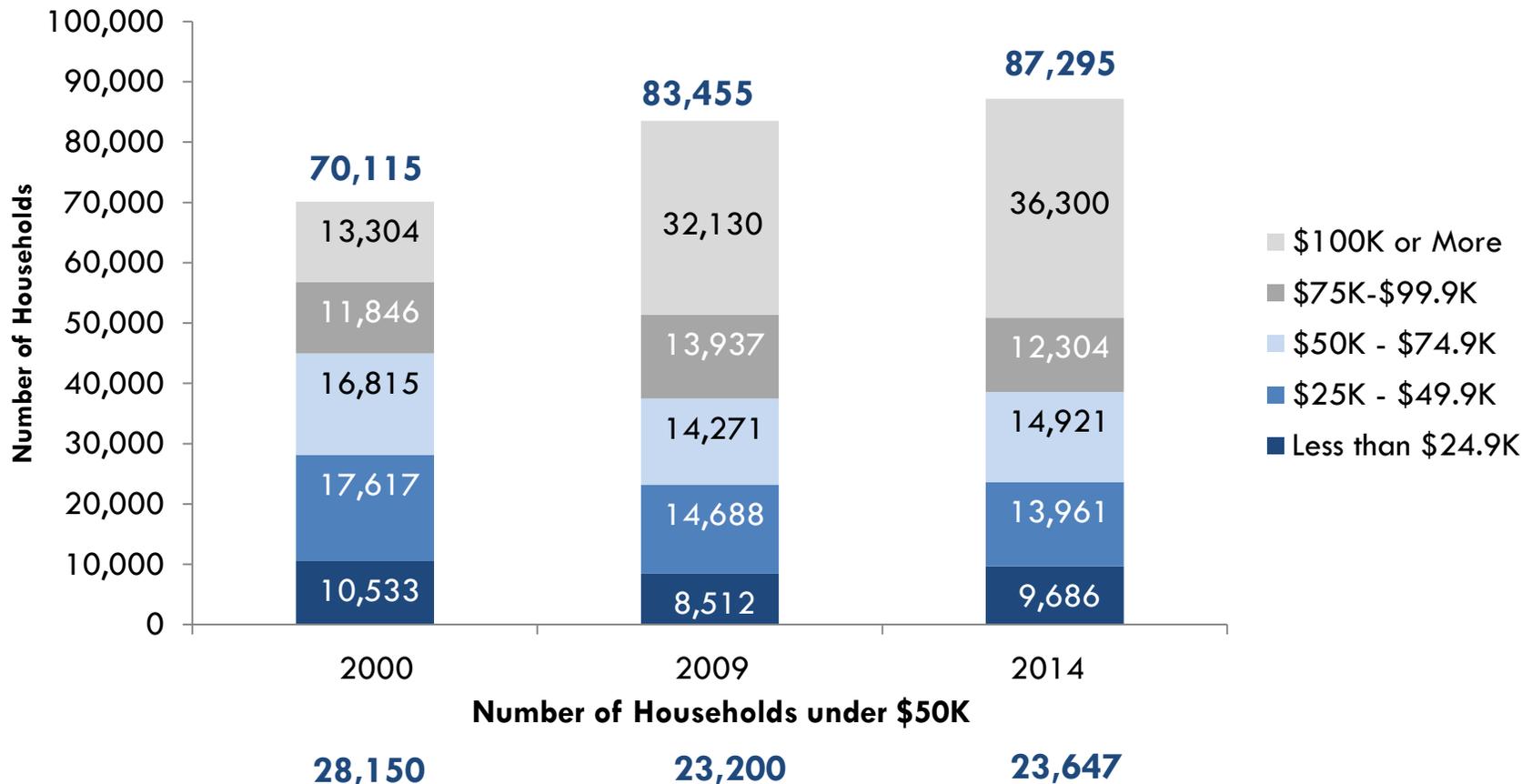
There are a few significant trends moving in Frederick County's favor as it seeks to close the housing gap.

- Population growth is concentrated among higher income households
- A large residential development pipeline
- An expansion in the production of publicly-assisted affordable housing

The number of low-income households in Frederick County is holding steady

- After an 18% decline from 2000 to 2009 the number of households earning less than \$50K there has seen a slight uptick.

**Households by Income Bracket, Frederick County
2000 - 2014**

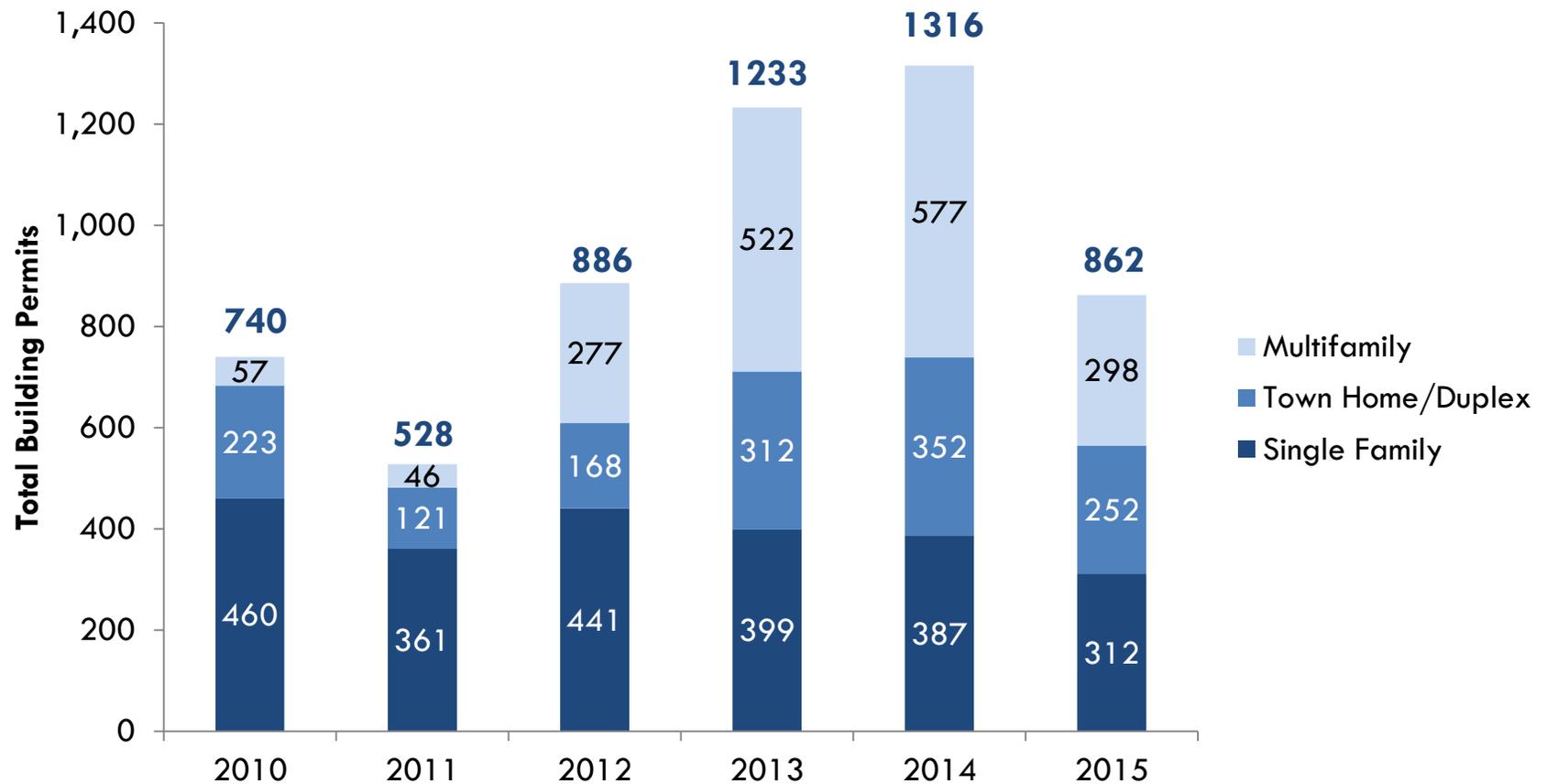


Source: ACS, Census

Frederick County has a robust residential development pipeline, which will increase the supply of housing.

- There are over 24,500 housing units in the development pipeline currently.

**Building Permits by Type of Building, Frederick County
2010-2015**



Source: Frederick County Department of Planning

The number of publicly-assisted affordable housing units developed has grown significantly in recent years.

- Since 2014, 374 publicly-assisted affordable units have entered development.

LIHTC Funded Developments in Frederick County, 2006-2015

Project Name	Date	Pop. Type	Project Type	Units	LIHTC	Tax Credit Equity	Total Dev. Cost
Hillcrest Commons	2006	Families	New	60	9%	\$ 5,616,444	\$ 9,369,876
Brunswick House Apartments	2007	Elderly	Acq./Rehab.	2	4%	\$ 1,482,236	\$ 6,178,850
Victoria Park at Walkersville	2007	Elderly	New	80	9%	\$ 5,906,882	\$ 12,587,232
Frederick Revitalization	2008	Families	New/Acq./Rehab.	86	9%	\$ 8,992,101	\$ 18,487,867
Seton Village	2013	Elderly	Acq./Rehab.	43	4%	\$ 3,576,926	\$ 14,270,364
Taney Village Apartments	2014	Elderly	Acq./Rehab.	130	4%	\$ 6,745,577	\$ 24,616,482
Sinclair Way	2015	Families	New/Rehab.	71	9%	\$ 13,611,269	\$ 20,318,778
The Commons of Avalon	2015	Families	New	114	4%	\$ 6,584,266	\$ 28,231,410
Windsor Gardens	2015	Families	Acq./Rehab.	59	4%	\$ 2,375,326	\$ 10,276,816
Total				645		\$ 54,891,027	\$ 144,337,675

Source: Maryland Department of Housing & Community Development

If market trends continue Frederick County’s affordable housing gap will shrink dramatically.

Frederick County Affordable Housing Gap	11,000
New Affordable Housing in Pipeline ¹	300
Increase in Naturally Affordable Housing ²	4,980
Remaining Affordable Housing Gap	5,720

¹ This includes Sinclair Way, The Commons of Avalon, Windsor Gardens, 520 North Market Apartments.

² This projection is over a ten year period and assumes that the existing naturally affordable housing units remain in use and are not taken off the market.

Source: Frederick County Planning and Permitting Division *HR&A, CoStar, Census*

Housing Gap Analysis

Areas of Need

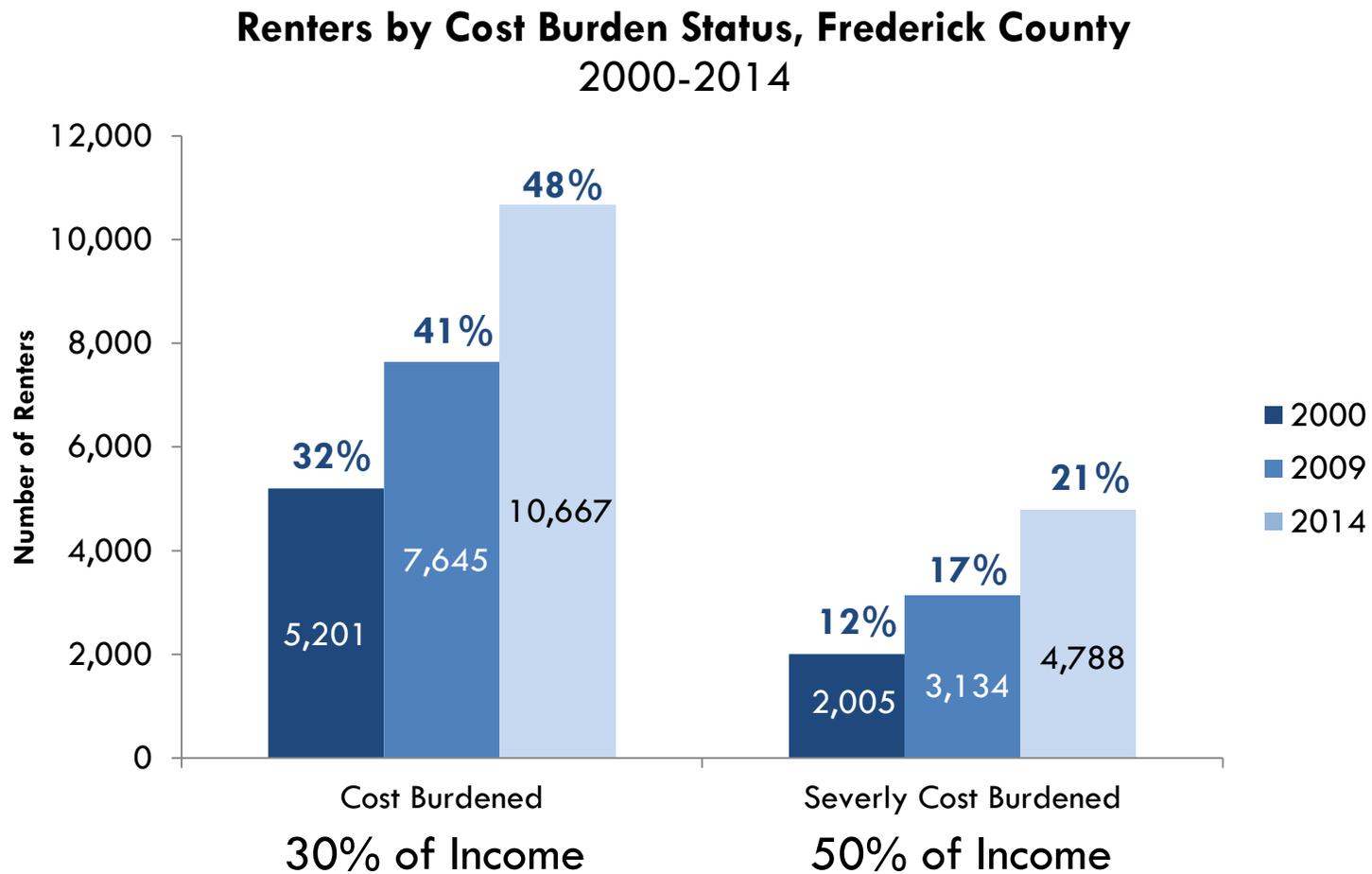
Policy Recommendations

Moderately Priced Dwelling Unit Program

The Housing Needs Assessment found four key areas of housing need.

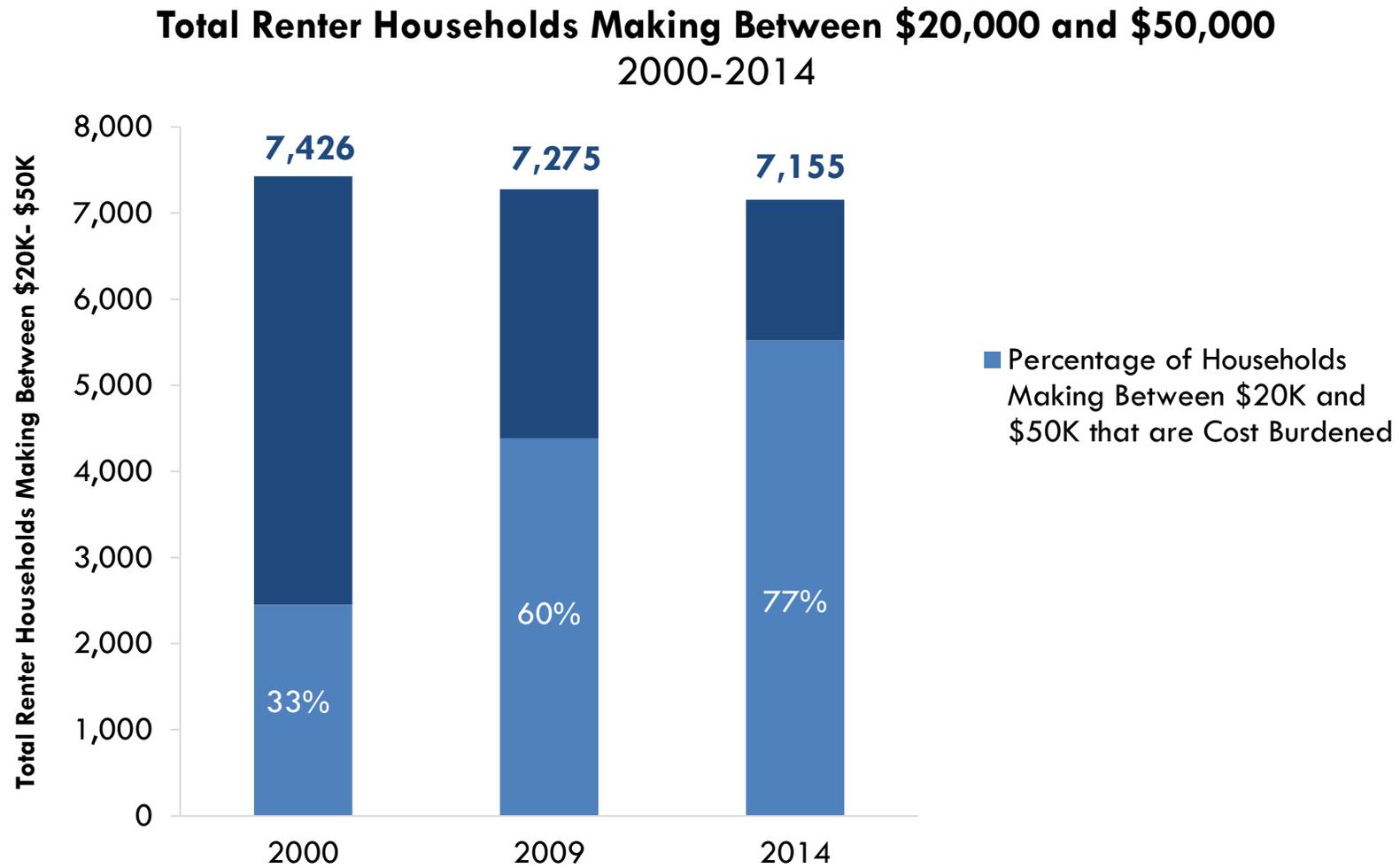


Workforce Rental Housing: Almost half of renters in Frederick County are housing cost burdened, a dramatic increase since 2000.



Source: PolicyMap

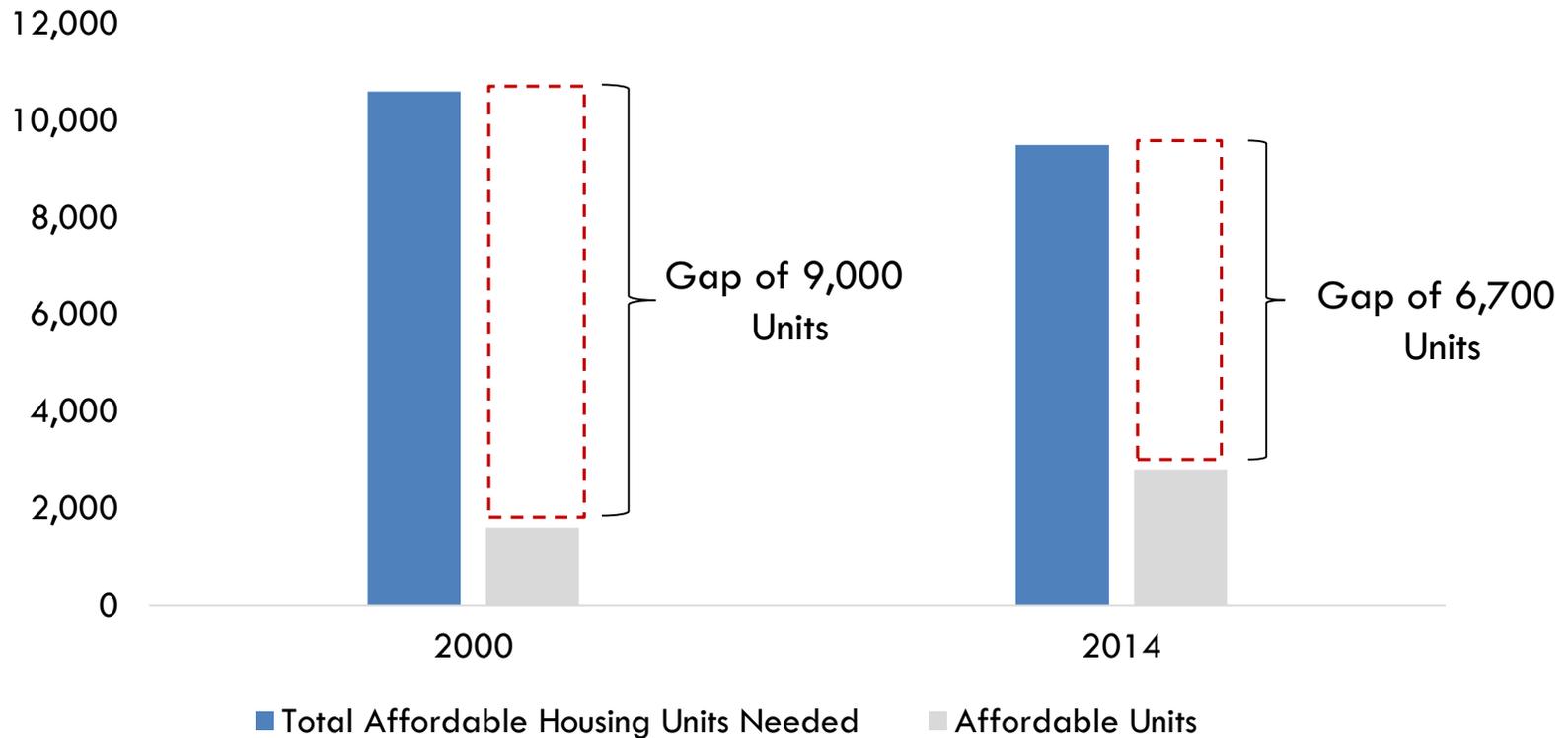
Workforce Rental Housing: More than 3 out of 4 renters earning between \$50-20,000 in Frederick County are housing cost burdened.



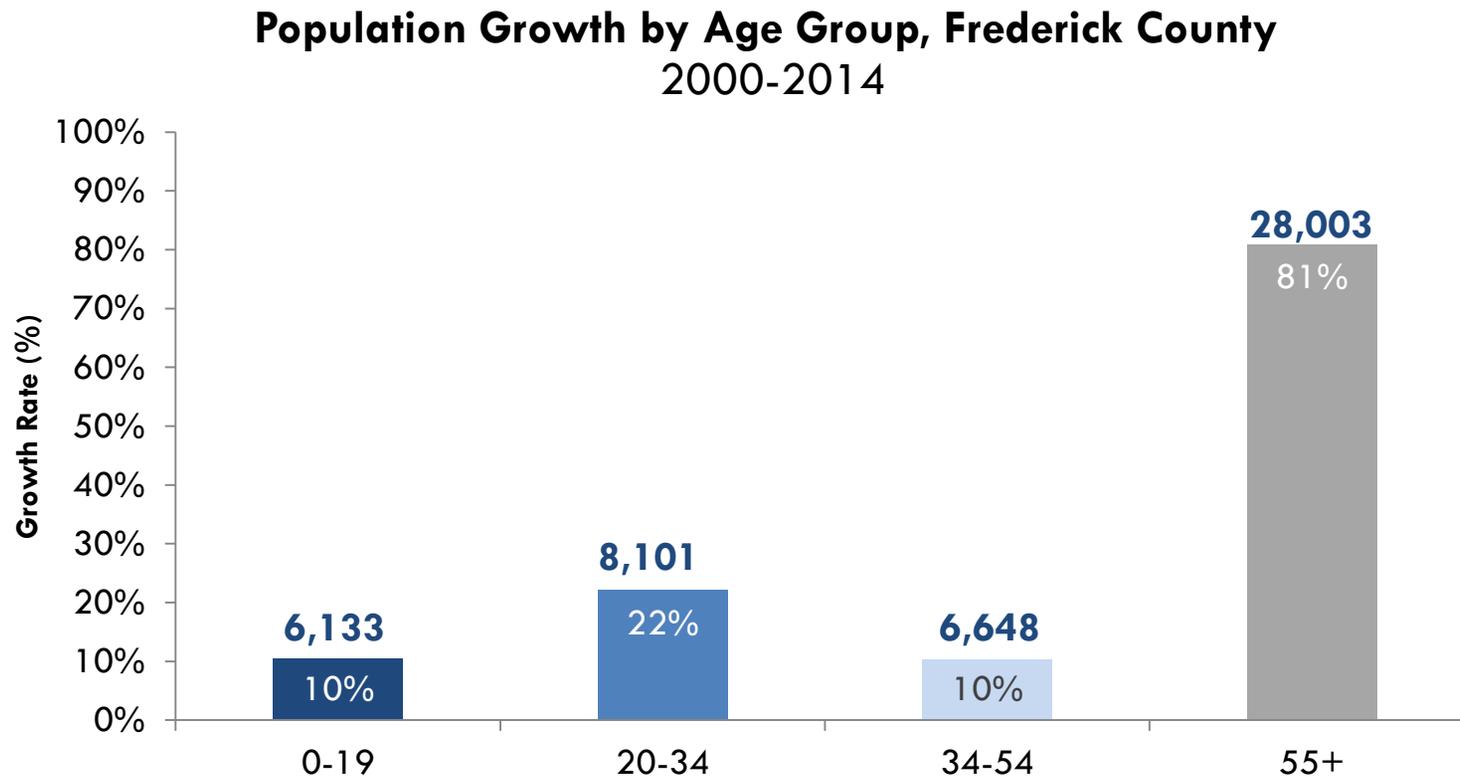
Source: PolicyMap

Rental Housing with Operating Support: Frederick County continues to have an insufficient supply of housing affordable to households earning less than \$25,000.

Housing Affordability Gap for Households Earning less than \$25K



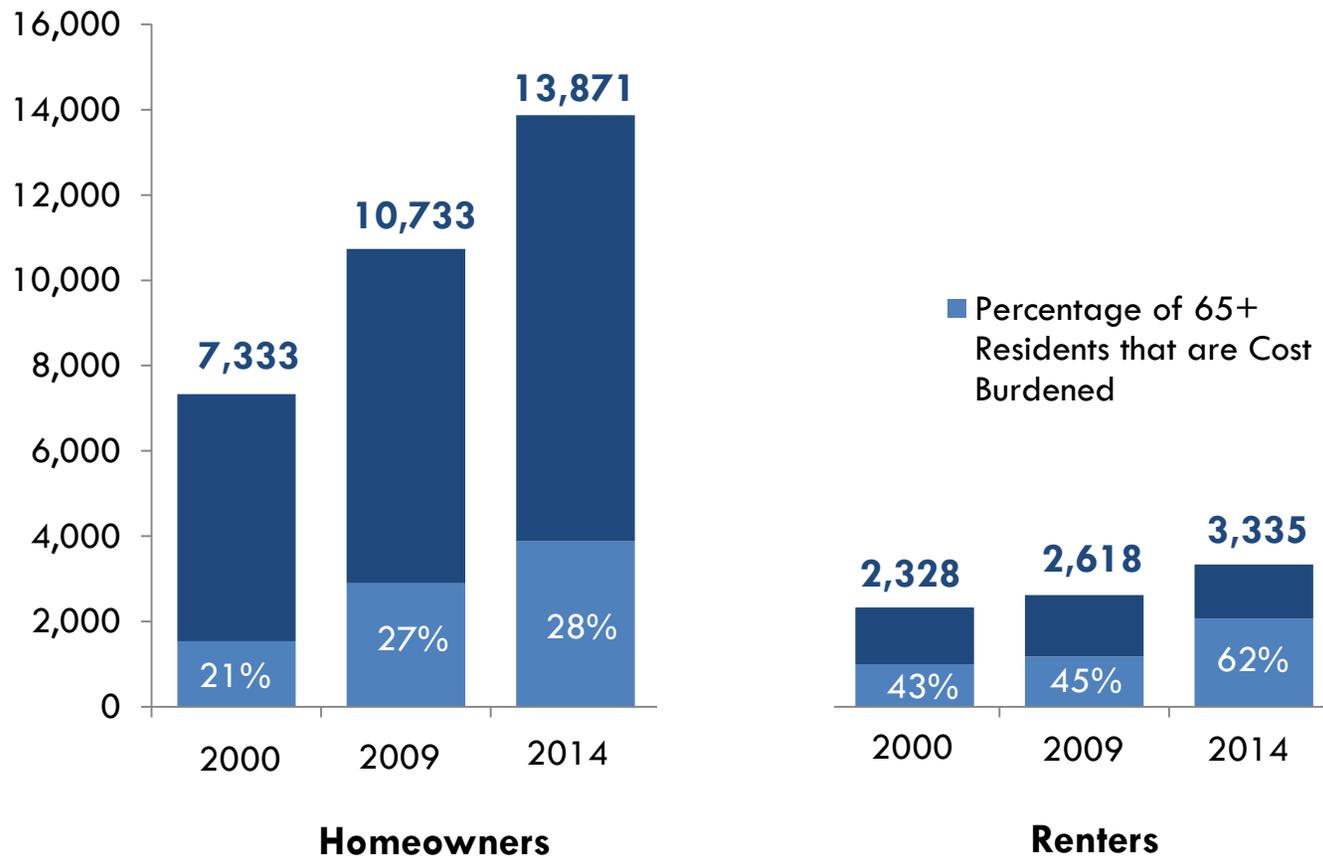
Housing for an Aging Population: The senior population is projected to grow substantially, expanding the need for senior housing.



Source: Frederick County Department of Aging

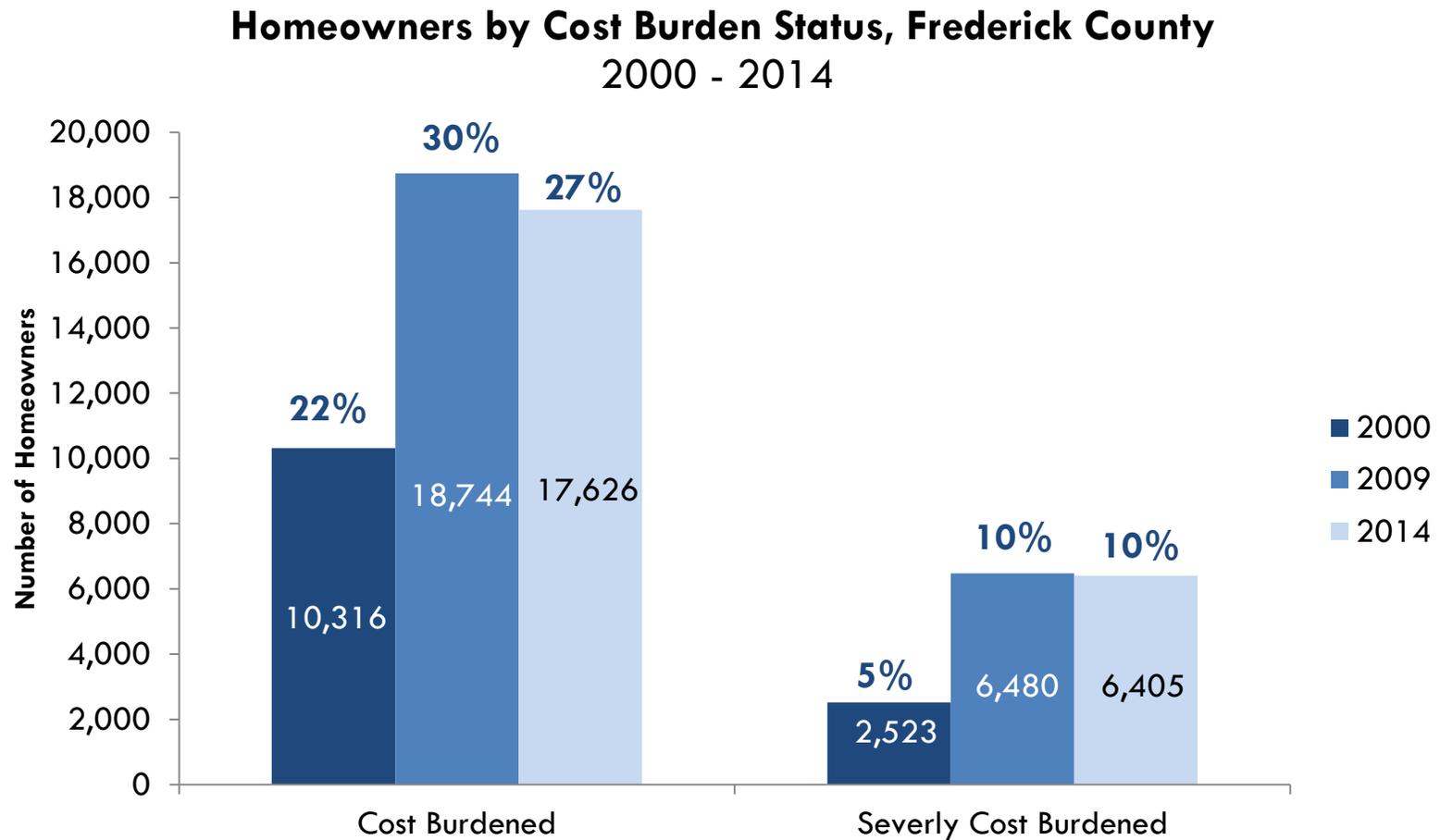
Housing for an Aging Population: Frederick County also has a growing housing cost burdened senior population.

Total 65+ Homeowners and Renters, Frederick County



Source: PolicyMap

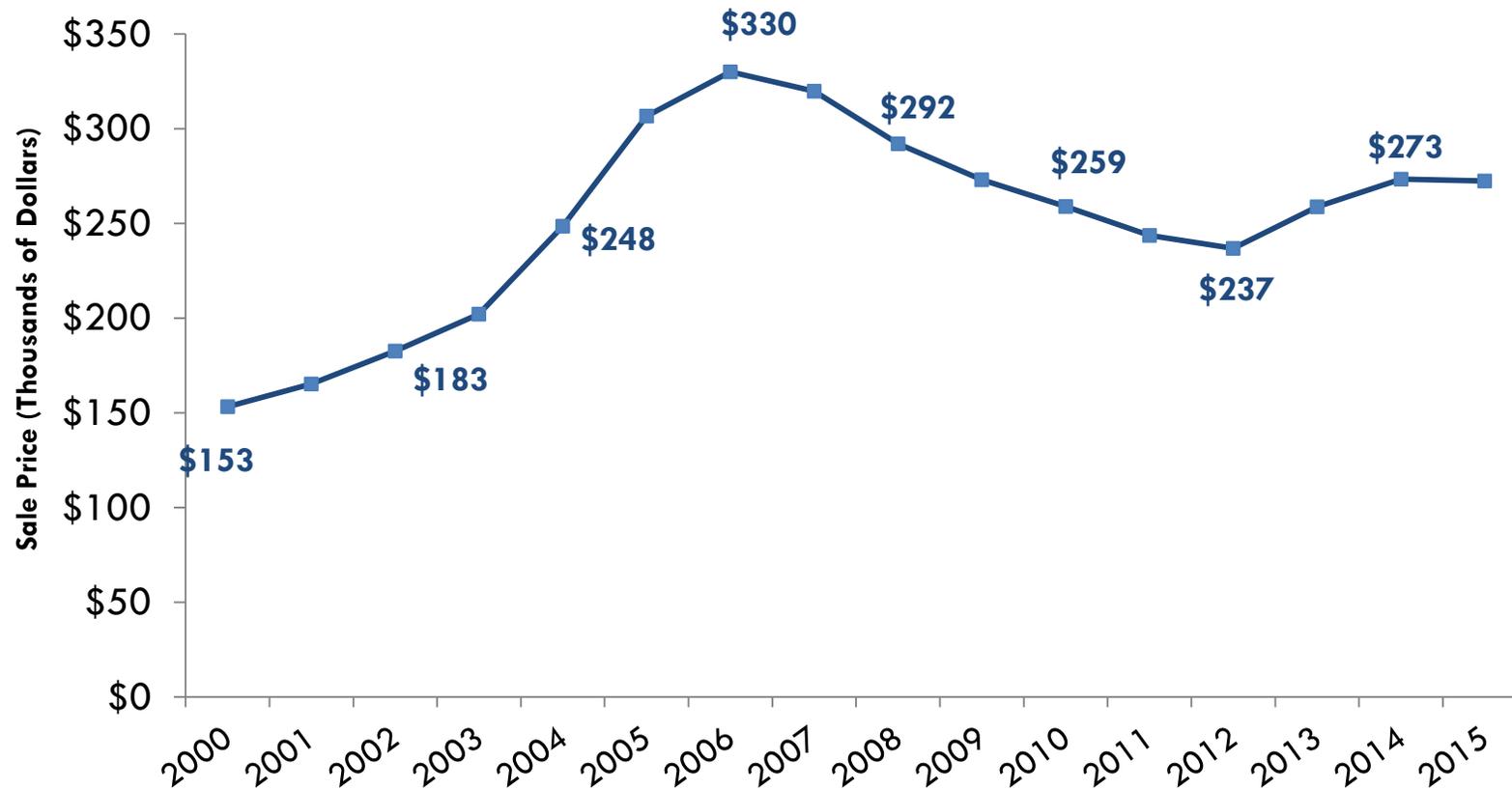
Affordable Homeownership: It is increasingly difficult for moderate-income households in Frederick to become homeowners.



Source: ACS, Census

Affordable Homeownership: Increases in home sale prices may act as a barrier to homeownership for moderate income households who would like to transition from rental properties to homeownership.

Median Home Sale Price, Frederick County, 2000 - 2015



Source: Zillow Research

Housing Gap Analysis

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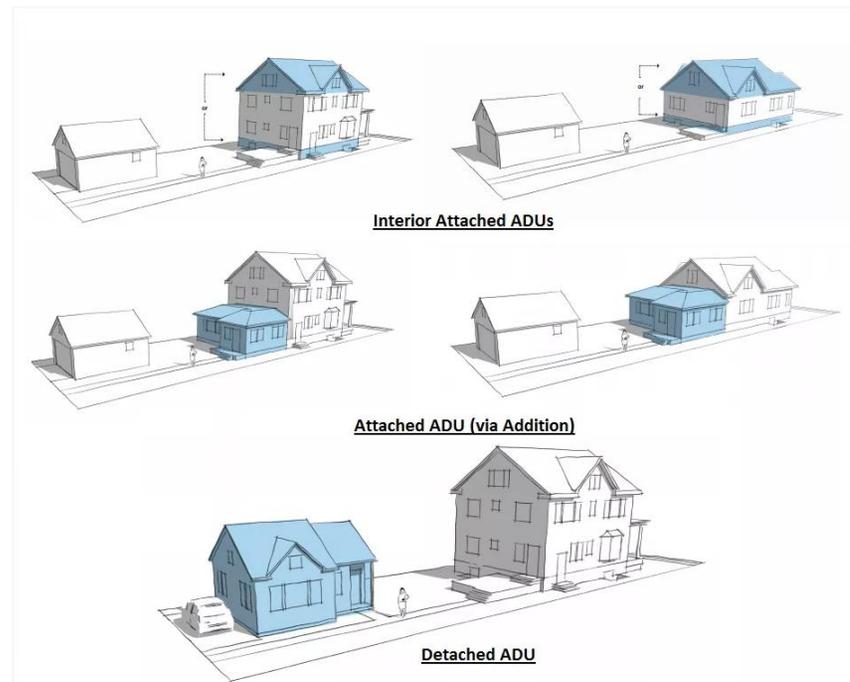
Moderately Priced Dwelling Unit Program

Workforce Rental Housing: Frederick County should continue to pursue policies to leverage the Low Income Housing Tax Credit (LIHTC) program to expand the affordable workforce rental housing supply.

- The Affordable Housing Council and the Housing Department should continue to review the Maryland Qualified Allocation Plan (QAP) each year.
- Frederick County's tax abatement policy should have standard eligibility criteria, an established process for approval and provide an as-of-right tax abatement policy for all LIHTC projects.
- Continue Frederick County's policy of exempting impact fees for affordable housing.
- The County should dedicate at least 50% of the MPDU fees to support LIHTC projects and award funding on a schedule that aligns with the State's scoring of LIHTC proposals.
- The County should explore additional local sources to support affordable housing.

Workforce Rental Housing: Frederick County should expand the development of Accessory Dwelling Units as affordable rental housing

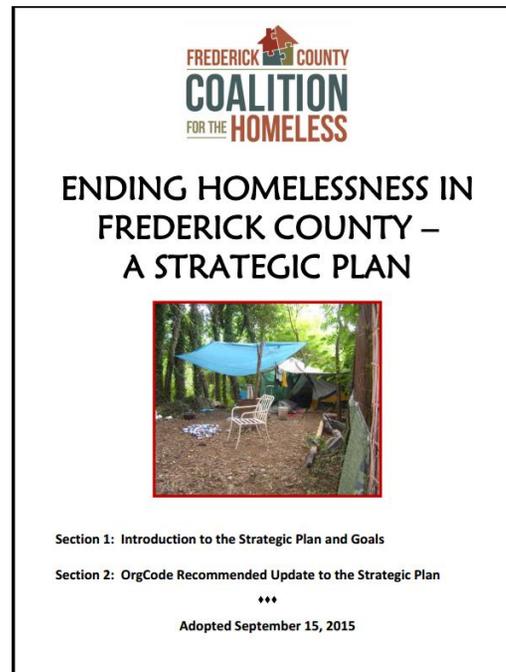
- The County should revise Zoning Ordinance 1-19-8.212 to allow Accessory Dwelling Units (ADU) to be rented.
- ADU are additional living quarters on single family lots that are independent of the primary dwelling unit and provide basic requirements for sleeping, cooking and sanitation.
- Given their smaller size and lower development costs, ADUs are often naturally affordable.



Source: City of Minneapolis

Rental Housing with Operating Support: Frederick County should continue to maximize the amount of rental assistance available for extremely low-income households.

- Frederick County must continue to pursue vouchers and project-based rental assistance for vulnerable populations in order to maximize limited state and federal resources.
- The County should pursue Section 811 program funding to secure vouchers.
- Frederick County should continue to pursue a “Housing First” strategy as discussed in the Strategic Plan for Ending Homelessness in Frederick County.



Affordable Homeownership: Frederick County should increase down payment assistance to reduce the barriers to homeownership for LMI households.

- The County should layer grants from mortgage lenders and the State to leverage local down payment assistance paid out of MPDU fees.
- The County should increase the maximum amount of down payment assistance it provides and link it to housing prices.
- Frederick County should establish a working group to memorialize the lessons learned from the Foreclosure Crisis.



Housing for an Aging Population: Frederick County should continue to support the development of affordable housing that allows seniors to age in place.

- Frederick County should set a minimum portion of its MPDU funds to serve elderly residents.
- The Frederick County Department of Aging should continue to assist senior homeowners and renters to apply for local and state programs which often have complicated and lengthy application processes.



Housing Gap Analysis

Areas of Need

Policy Recommendations

Moderately Priced Dwelling Unit Program

The Moderately Priced Dwelling Unit (MPDU) program is a source of critical local funding for affordable housing.

- Adopted in 2003, the MPDU program requires that 12.5% of a project's total housing units must qualify as moderately priced units. In addition, Frederick County established density bonuses that were meant to encourage further MPDU development in exchange for increased density allowance.
- The MPDU program generated \$3,389,000 in payment in lieu income between 2012 and 2016.
- This funding provided development subsidies for affordable rental housing, down payment assistance, repairs to owner occupied homes, assistance to the homeless, among other uses.
- The MPDU program has been less effective at producing housing units as part of new developments. To date, only one project, Whispering Creek, has created MPDUs in Frederick County.

Frederick County should maintain the MPDU program's payment in lieu option.

Frederick County should revise its method to calculate the payment in lieu and increase it accordingly.

	Frederick County MPDU Calculation	Alternative Method
Step One: Determine What the Household can Afford	Assumed Household Income: 70% AMI	Assumed Household Income: 65% AMI
	Household Size: 2.7 individuals <i>This is based on recent census data on household size.</i>	Household Size: 2.7 individuals <i>This is an appropriate household size to assume.</i>
	Purchasing Capacity: 2.5X the household income. This is based on an industry rule of thumb.	Purchasing Capacity: A calculation based on mortgage financing

The Purchase Capacity calculator determines the amount of mortgage a household at a given income can afford to purchase based on current market conditions.

Purchase Capacity Calculator Assumptions		
Variable	Example	Method
Interest Rate	5.50%	Should be based on Federal Housing Finance Agency (FHFA) Monthly Interest Rate Survey, the average of the previous 6 months plus 150 basis point cushion to reflect the potential for increased interest rates or mortgage insurance.
Amortization Period	360 months	Standard 30-year mortgage
Property Tax Rate	1.172%	Should be based on Frederick County's property tax rates.
Insurance	\$950	Should be based on a survey of insurance rates in Frederick County
Housing Burden Ratio	30%	Standard HUD cost-burdened threshold. ¹
Down Payment	5%	Industry standard down payment for a low- or moderate-income household.
Household Income	\$61,770	65% of AMI based on a household size of 2.7. The downward adjustment in AMI accounts for the fact that Frederick County's median income is lower than the Metro-area AMI. This number is then adjusted for a household size of 2.7, the median household size in Frederick County. ²
Condo Fee (when applicable)	\$1,800	Should be based on an annual survey of condo fees and should <u>not</u> be included for single-family homes.
Property Value	\$220,125 (single family), \$197,584 (condo)	Property Value based on the above assumptions.

¹Howard County uses 28% cost burden threshold in their MIHU policy.

²The AMI is adjusted for a household size of 2.7 by calculating the appropriate AMI based off the AMI levels for household size of 2 and 3 at 65% of AMI.

The County should recalculate the MPDU fee per unit annually using the most current market information.

	Frederick County MPDU Calculation	Alternative Method
Step Two: Determine Frederick County's Sale Price	Sales Price: Average sale price based on MRIS and Hanley Wood and DHCD.	<i>Sales Price: Median sale price of recent market transactions.</i>

By establishing a standard and regular fee revision process, the fee will remain synchronized with market conditions.

	Frederick County MPDU Calculation		Recommended Method	
Step Three: Example Calculations	70% AMI for household size of 2.7 (2012)	\$59,430	65% AMI for household size of 2.7 (2015)	\$61,770
	Purchasing Capacity (X2.5)	\$161,560	Purchasing Capacity (Calculator)	\$220,125
	Average Sale Price (2012)	\$179,060	Median Sale Price (2015)	\$265,000
	Total Gap Per Affordable Units	\$17,500	Total Gap Per Affordable Unit	\$44,875
	Fee Per Market Rate Unit	\$2,188	Fee Per Market Rate Unit	\$5,609

*The fee calculated here is an example and should be revised using current data before being implemented.

Information on current Frederick County methodology was provided by the County.

Note: The calculator used to find the purchasing capacity is located on page 52.

Note: The total gap per affordable unit represents the difference in cost between the average sale price and the purchasing capacity for one market rate home. Based on affordability requirements in Frederick County, the fee per market rate unit is designed to create funding for one affordable unit for every eight market rate units built. If eight market rate homes are built and the fee is paid, the \$17,500 (\$2,188 x 8) collected will fund one affordable unit.

Electronic copies of the Housing Study can be found under the Special Alerts section of the Department of Housing and Community Development's website at www.frederickcountymd.gov/housing.

